Attachment 2 – EV Systems Surveillance

1. Risk Planning

1.1. The CMO reviews the contract, along with modifications and customer guidance (i.e., Memorandums of Agreements (MOAs) and/or delegations), to get a clear understanding of the EVM system requirements, e.g. DFARS 252.234-7001 and 252.242-7005. A MOA (or absence of one) does not eliminate CMO responsibilities related to EVMS. The EVMS Specialist determines if DFARS 252.234-7001 requires surveillance at the major subcontract level, and provides input to the supporting letter of delegation or alternative request for support.

1.2. For contracts that fall below acquisition thresholds for full EVMS, DoD has recognized a need for effective performance measurement using the C/SSR requirement (or CPR, No Criteria). The C/SSR is intended to be a performance report with a contractual requirement for management procedures and a reduced level of system surveillance to verify that these management procedures are in place and being used. C/SSR surveillance verifies that the supplier has "management procedures" in place as required by the C/SSR DFARS 252.242-7005.

1.3. Determine system surveillance requirements and document the results of contract review of either EVMS or C/SSR requirements in the Electronic Data Workflow (EDW) records.

1.4. The CMO recommends changes to the contract if there are inappropriate EVMS implementation and/or reporting requirements. Any recommendations or deficiencies requiring a contract modification is reported by the ACO to the Procuring Contracting Officer (PCO). Recommended changes are documented. DD Form 1716, Contract Data Package Recommendation and Deficiency Report can be used for this purpose.

1.5. The EVMS Specialist determines if the supplier has a Government recognized compliant EVM System in accordance with DFARS 252.234-7001. If supplier's EVMS was not previously recognized, contact the District Performance Advocate to request an initial compliance review. The Earned Value Management Implementation Guide (EVMIG) provides additional guidance.

1.6. Key processes are identified in the Risk Assessment Management Plan (RAMP) or local CMO developed plan. Key processes are those which, if not properly controlled, can adversely affect cost, schedule, and/or technical performance. Key processes related to EVMS may include organizing, scheduling, work/budget authorization, accounting, indirect management, management analysis, change incorporation, material management, and subcontract management. If the supplier indicates interest, a joint surveillance plan can be developed. Surveillance is a way to insure that the contractor's EVM system is continuously applied to programs/contracts so that program managers can rely on the produced data. DCMA may agree to use the supplier's list of key processes.

1.7. Minimum performance expectation is a risk based management (EVMS or C/SSR surveillance) plan that has been developed and implemented that verifies

supplier compliance with contractual EVMS or C/SSR requirements. This plan includes the following:

- Identification of each key process area
- Approach for selecting programs and WBS elements
- Risk-planning activities; frequency, intensity and schedule

2. Risk Assessment:

2.1. Assessment of system risk is an important element in determining the level of system surveillance activity. The EVMS Specialist assesses each identified EVMS key process using the information in the Supplier Risk Management guidebook process. The EVMS Risk Matrix can be used to determine the likelihood that a risk event may happen. Consequence is determined by assessing the impact to contracts and programs.

2.2. System key process risk ratings are supported by data (i.e., assessments of system performance developed during program analysis, Defense Contract Audit Agency (DCAA) and other business systems audits, and government and supplier performance data). A higher risk equates to more frequent activity and could require a more intense review of identified problem process areas. Higher risk areas are specifically identified in the MOA or delegation, or as otherwise requested by the customer.

2.3. The EVMS Specialist develops an EVMS or C/SSR Risk Management Plan (i.e. EVM System Surveillance Plan), which is an output from RAMP or a local CMO developed plan. The plan includes the intensity, schedule, and frequency of the risk monitoring methods based on the assigned risk. The risk management plan is developed using the Earned Value Management Implementation Guide which can be found at http://guidebook.dcma.mil/79/evmigoldversion.doc. This plan is coordinated with all customers and DCAA to avoid duplication.

2.4. The minimum performance expectation is that risk assessments be developed by key process area.

3. Risk Handling:

The supplier owns their EVM system, so they do the risk handling. The CMO's role in supplier risk handling is to influence through risk monitoring. CMOs do the risk planning, assessing, monitoring and documenting. Therefore, CMOs ensure their surveillance results are well founded and provide good reason for the supplier to act on them.

4. Risk Monitoring:

4.1. The EVMS Specialist has the primary responsibility for system surveillance of the supplier's EVM system performance to ensure compliance with the ANSI guidelines. EVM system surveillance begins at contract award,

continues through system compliance evaluation and acceptance (when required), and extends throughout the duration of the contract.

4.2. Risk monitoring is conducted for all key processes identified. The EVMS Specialist maintains and periodically updates an EVMS or C/SSR Risk Management Plan (i.e. EVM System Surveillance Plan), which is an output from RAMP or a local CMO developed plan. Although C/SSR risk monitoring has limited scope of surveillance, this process verifies that the supplier has "management procedures" that are being followed.

4.2.1. Data analysis is used to validate the system key processes. Data sampling could include:

- Integrated Master Schedule
- Work Breakdown Schedule Dictionary
- Statement Of Work
- Integrated Master Plan
- Contract mods
- Undistributed Budget/Management Reserve log
- Integrated Baseline Review results
- System Corrective Action Requests and its implementation
- Previous surveillance reports
- DCAA and other business systems audits

4.2.2. Interviews with Control Account Managers are an essential part of ensuring continued guideline compliance. The EVMS Specialist verifies that supplier's management personnel are using the EVMS to identify problems, develop solutions and implement corrective action.

4.2.3. Customers and DCAA are invited to participate in reviews of the EVMS. If joint surveillance is not being conducted, the supplier may be invited to participate in the surveillance process.

4.3. The EVMS Specialist continually assesses surveillance activities to ensure that the level and degree of CMO surveillance is appropriate to risk assessment. Adjustments to the surveillance plan/activities/process address any changes to the supplier's internal EVMS surveillance practices.

4.4. If system deficiencies are identified, the EVMS Specialist follows their CMO procedures or references the Supplier Risk Management Chapter for corrective action. The EVMS Specialist may ultimately recommend withdrawal of the Government's previously recognized compliant EVM system to the ACO. The EVMS Specialist reports all systemic deficiencies to the PST, ACO, District EVMS Performance Advocate, PMO, and other affected CMOs.

4.5. Minimum performance expectations for risk monitoring are the routine execution of EVMS or C/SSR Risk Management Plan (i.e. EVM System Surveillance Plan, or C/SSR management procedures). Successful execution of the risk management plan includes:

- Identification of any deficiencies and trends
- Assessments of current and future impacts of non-mitigated risks or unsuccessful corrective actions
- Communication of results and system health to the customer

5. Risk Documentation

5.1. System surveillance documentation consists of surveillance reports, the risk management plan, corrective action requests, the AA or Letter of Acceptance and updates to the EVMS Supplier Validation list.

5.2. The EVMS Specialist provides timely system surveillance reports to the customer (via the PI when applicable) addressing the health and continued compliance of the EVMS in accordance with the customer requirements.

5.3. RAMP or local CMO developed plans contain system surveillance risk planning, risk assessment, and risk monitoring information and address the RAMP narrative protocol guidelines.

5.4. Risk management files are established by the CMO to contain all pertinent data and information to include system surveillance efforts. These files include system review results, evaluations, discrepancies, and follow-up actions. These files also include any customer correspondence, meeting minutes, and actions. Any system surveillance discrepancies found specific to a program are imported for inclusion in the EDW official contract file. The system surveillance file is maintained indefinitely.

5.5. Corrective Action Requests (CAR) issued to the supplier are maintained by the CMO and tracked for trend analysis and implementation.

5.6. The cognizant ACO is the authority for recognizing the supplier's system as being compliant with the EVMS guidelines. This is done by issuance of a Corporate-wide or local Letter of Acceptance or AA indicating system acceptability. A Letter of Acceptance is prepared when a supplier does not wish to enter into an AA. The AA demonstrates that the supplier is committed to using EVMS as part of their integrated management, documents that it uses EVMS on all applicable contracts, and remains in effect indefinitely. The EVMS Specialist reviews proposed changes to the EVMS (e.g., system description, policies, and/or procedures) to ensure compliance with the guidelines and if surveillance deems the system to be non-compliant, makes recommendations to the ACO. Changes to the system require prior Government approval unless a Pre-Approval Waiver has been issued by the ACO. The EVMS Specialist coordinates with impacted customers prior to recommending that the ACO grant the Pre-Approval Waiver.

5.7. The cognizant ACO sends EVMS acceptance status and yearly system surveillance health to the DCMA Headquarter Performance Advocate for inclusion in the EVMS Supplier Validation List. The CMO ensures this information is accurate and updated annually or when system status changes, whichever is earlier. (Please see Earned Value Management System – Reviews, Instructions for additional information.)

5.8. Minimum performance expectations for System Surveillance risk documentation are that they be current, implemented, and include:

- System Surveillance Risk Management Plan
- Deficiencies identified during surveillance are:
    - Issued via CAR when appropriate

    - Tracked with current status
    - Addressed via corrective action plan in place (or in process)
    - Followed-up to ensure action has corrected deficiency (or plan to do so)
    - Trended for systemic issues
- Communication of system surveillance results and system health to customers:
    - Are timely (in accordance with customer preferences)
    - Include areas of moderate or high risk with explanations for each
    - Identify any deficiencies, corrective actions, status, and independent assessment of corrective actions